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UNCLAS SECTION 01 OF 02 KABUL 000619

SENSITIVE  
SIPDIS

DEPT PASS USTR FOR DELANEY AND DEANGELIS  
DEPT PASS TDA FOR STEIN AND GREENIP  
COMMERCE FOR DEES, CHOPPIN, AND FONOVIH  
USAID/W FOR TYLER HOLT, MARK KARNS, AND DIANE RAY

E.O. 12958: N/A  
TAGS: [EAID](#) [ETRD](#) [PGOV](#) [PBTS](#) [EINV](#) [EIND](#) [AF](#)  
SUBJECT: SENIOR ECONOMIC ADVISOR TO PRESIDENT KARZAI SHARES VISION  
WITH USAID DIRECTOR FREJ

REF: KABUL 512

1. (SBU) Summary: Senior Economic Advisor to President Karzai Dr. Anwarul Haq Ahadi told USAID Mission Director Bill Frej on February 11 that he planned to set up a functioning structure to advise President Karzai on economic affairs and to carry out inter-ministerial coordination on economic issues. He asked for donors to provide administrative, management, and advisory assistance to set up the new structure. Frej noted the importance of the National Economic Advisor role and proposed assistance through the Ministry of Finance's Civilian Technical Assistance Program (CTAP, which is supported by the United States and other donors) or the U.S. Economic Growth and Governance Initiative (EGGI). Ahadi and Frej agreed to identify assistance with clear objectives and an end date. Frej also offered Embassy support to facilitate contact with the White House National Economic Advisor's office as a model for the new structure. Ahadi envisions his role as economic policy coordinator for GIROA, and wants to share development planning and donor coordination work with the Ministry of Finance (MoF). (NB: We do not know that the Finance Minister supports this plan.) End Summary.

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VISION FOR THE NATIONAL ECONOMIC ADVISOR  
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2. (SBU) In a February 11 meeting, USAID Mission Director Frej met with newly-appointed Senior Economic Advisor to President Karzai, Dr. Anwarul Haq Ahadi. This was a follow up meeting to CDDEA Wayne's visit on Sunday, February 7 [reftel]. Ahadi began the meeting noting that the Office of the National Economic Advisor suffered a loss of personnel and capacity when then Advisor Zakhilwal took most of the staff to the Ministry of Finance upon his appointment as Minister. With this move, most functions that were previously coordinated by the National Economic Advisor shifted to the MoF, including Afghan National Development Strategy (ANDS) work; donor coordination; and chairmanship of the Joint Monitoring and Coordination Board (JCMB), the donor forum for Kabul-based foreign missions. Ahadi pointed out that the role of donor and ANDS coordination is not well thought out, nor is there a written policy that appoints MoF as the coordinating entity. He noted the Ministry of Economy would normally play this role but is unable to do so due to weak leadership and limited capacity. Ahadi said he believes that the Office of the National Economic Advisor should take the lead and perform oversight and policy coordination, with the Ministry of Finance leading budgetary reform. In addition, Ahadi claimed that President Karzai had asked him to chair the JCMB and the cabinet-level economic committee.

3. (SBU) Ahadi planned to meet President Karzai February 13 or 14 to discuss his responsibilities and personnel requirements. (Comment: at this time there is no readout on that meeting. End Comment.) Ahadi told Frej he would propose to Karzai an organizational

structure for the Office of the National Economic Advisor, seek salary and budget commitments, discuss the role of economic policy analysis, and possibly propose his idea for an improved approach to regional and sectoral donor coordination.

¶4. (SBU) Ahadi is looking for advisory assistance to set up a functioning structure to advise President Karzai on economic affairs and carry out inter-ministerial coordination. Frej noted the importance of the National Economic Advisor role and proposed assistance in identifying advisors through the MoF Civilian Technical Assistance Program (CTAP) or USAID's Economic Growth and Governance Initiative (EGGI). Ahadi and Frej agreed to identify assistance that is demand driven with clear objectives and an end date. Frej also suggested that Ahadi speak with the White House National Economic Advisor office about the U.S. model and how it might inform Afghanistan's structure at this juncture. He said the Embassy could facilitate this exchange. After his meeting with Karzai, Ahadi said he will define his responsibilities and outline his advisory needs to USAID, clearly articulating how the needs would be complemented by CTAP personnel and other assistance.

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SALARY REFORM  
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¶5. (SBU) Ahadi attributed the lack of Afghan capacity and progress in governance to insufficient government salaries. He noted that current salaries of \$200 a month do not attract qualified staff. While salaries of \$500 might result in successful recruitment in Kabul, more would be needed to attract staff in many districts, especially remote and insecure locations (he referenced a figure of \$1,000). Ahadi is nevertheless concerned that while donor salary

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support might attract qualified employees, when the government takes funding responsibility after five years, it will not be able to meet the payroll, noting "not even India and Pakistan, middle-income countries, pay that much. How will we?" (NB: USAID is currently consolidating its salary support to all ministries of the GIROA into one direct support mechanism with the Ministry of Finance (MoF). This will provide GIROA with the control and oversight necessary to gradually rationalize government salaries to a more sustainable level and to determine where donor assistance may be required.)

¶6. (SBU) Regarding hiring at the district level, Ahadi expressed concern the GIROA will not find qualified and committed employees. Frej said donors will help the GIROA address this (including through the District Delivery Program), but ultimately the GIROA must pick up the responsibility.

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CONCERN FOR CLUSTERS AND ANDS COORDINATION  
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¶7. (SBU) As in his meeting with Ambassador Wayne, Ahadi voiced arguments against the "clusters" concept presented at the London Conference. To counter the potential backlash, Ahadi proposes to manage the ANDS and maintain participation by each ministry in overall development planning and implementation.

¶8. (SBU) Regarding ANDS implementation, Ahadi said that there are too many sub-committees, thus making effective coordination difficult for the MoF and donors. He suggested a more sectoral approach with only three to five sub-committees, but did not indicate which. Ahadi added that the role of budgeting should stay with MoF, but monitoring and evaluation and policy should fall under the Office of the National Economic Advisor. (Comment: Ahadi noted that, realistically, monitoring and evaluation should fall under the Ministry of Economy, but due to the lack of capacity and leadership this function should be transferred to his office. End Comment.) Additionally, he suggested that ANDS implementation should give greater attention to linking policy and development assistance by improving economic analysis and communications with the MoF.

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COMMENT  
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19. (SBU) Ahadi is highly capable of articulating various flaws within GIROA. He is also clearly uncomfortable with Parliament's rejection of his nomination as Minister of Economy, intent on his competition with Zakhilwal, and focused on identifying a constructive role for himself. It remains to be seen whether over the short-term this role evolves into a function which facilitates GIROA decision making and execution or simply delays improved GIROA organization on economic and development assistance. Embassy Kabul will seek opportunities to direct Ahadi and other Afghan officials in a more productive direction.

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